

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 09-0278472

THE ENFORCEMENT ACTION AGAINST INTEGRATED OIL & GAS SOLUTIONS CORP. (OPERATOR NO. 424839) FOR VIOLATIONS OF STATEWIDE RULES ON THE LILYAN CHILSON (LEASE NO. 13459) LEASE, WELL NOS. 1S AND 5S, WICHITA COUNTY REGULAR FIELD, WICHITA COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on May 28, 2015 and that the respondent, Integrated Oil & Gas Solutions Corp. (Operator No. 424839), failed to appear or respond to the Notice of Opportunity for Hearing. Pursuant to § 1.49 of the Commission's General Rules of Practice and Procedure [Tex. R. R. Comm'n, 16 TEX. ADMIN. CODE § 1.49] and after being duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas, the Commission makes the following findings of fact and conclusions of law.

FINDINGS OF FACT

1. Integrated Oil & Gas Solutions Corp. (Op. No. 424839), ("Respondent"), was given Notice of Opportunity for Hearing by certified mail, addressed to the most recent Form P-5 (Organization Report) address.
2. The certified envelope containing the Original Complaint and the Notice of Opportunity for Hearing, was signed for on May 28, 2015. The electronic receipt is included in the file and has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. On June 18, 2012, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Ron Polli, President, Terry Rutter, Secretary, & Brian Kennedy, CFO.
4. Ron Polli, was in a position of ownership or control of respondent, as defined by Texas Natural Resources Code Section 91.114, during the time period of the violations of Commission rules committed by respondent.
5. The violations of Commission rules committed by respondent are related to safety and the control of pollution.
6. Respondent designated itself to the Commission as the operator of the Lilyan Chilson (Lease No. 13459) Lease, Well Nos. 1S & 5S by filing a P-4 Form (Producers Transportation Authority and Certificate of Compliance) effective on June 29, 2010.
7. Respondent's P-5 (Organization Report) became delinquent on September 1, 2013. Respondent had a \$50,000 cash deposit as its financial assurance at the time of its last P-5 renewal.
8. Commission records Commission District inspection reports made on August 22, 2011 and April 2, 2012 for the Lilyan Chilson (Lease No. 13459) Lease, showed that the signs or identification

required by Statewide Rule 3 to be posted at Well Nos. 1S and 5S were missing.

9. Failure to properly identify a well by the posting of the sign required by Statewide Rule 3 has the potential for causing confusion and delay in remedying a violation or emergency and poses a threat to the public health and safety.
10. The Respondent has not demonstrated good faith since it failed to timely plug or otherwise place the subject lease and subject wells in compliance after being notified of the violations by the District Office and failed to appear at the hearing to explain its inaction.
11. Commission District inspection reports made on August 22, 2011 and April 2, 2012 indicate that the subject wells have been inactive for at least 12 months. Commission records show that the subject wells were converted to water supply wells in January 1998. However the lease in present state does not require a water supply, as there are no other wells on the lease. Additionally, District inspections show that Well No. 5S is equipped to inject with tubing, but is not active. Commission records show that former operator of the subject lease had an injection permit (Permit No. 85803), this permit was cancelled based on Docket No. 09-84275, ordering that no injection authority may ever be issued for any wells on the subject lease and revoking the permit July 26, 1985. Commission District inspection reports show that Well No. 1S is equipped to pump with rods and tubing, but has not been active for sometime based on the rust found on the polishing rod. Commission records dating after 1985 do not show any reported injection on the subject well. Commission records show that the most recent production reported, in the amount of 1 bbl, was reported for the month of July 1995.
12. Well No. 1S has no Statewide 14(b)(2) extension.
13. The Statewide 14(b)(2) plugging extensions for Well No. 5S was denied on 09/29/2011 for failure to file an H15 form and a Field Operations hold.
14. The subject wells have not been properly plugged in accordance with, and are not otherwise in compliance with Statewide Rule 14.
15. The total estimated cost to plug Lilyan Chilson (Lease No. 13459) Lease, Well Nos. 1S and 5S is \$6,416.04.
16. The Respondent has no prior history of violations of Commission rules.
17. Usable quality groundwater in the area is likely to be contaminated by migrations or discharges of saltwater and other oil and gas wastes from the subject wells. Unplugged wellbores constitute a cognizable threat to the public health and safety because of the probability of pollution.

CONCLUSIONS OF LAW

1. Proper notice was issued by the Railroad Commission to respondent and to all other appropriate persons legally entitled to notice.
2. All things necessary to the Commission attaining jurisdiction over the subject matter and the parties in this hearing have been performed or have occurred.

3. Respondent is in violation of Commission Statewide Rules 3 and 14(b)(2).
4. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 3, which requires that each property that produces oil, gas, or geothermal resources and each oil, gas or geothermal resource well and tank, or other approved crude oil measuring facility shall post signs or identification.
5. Respondent is responsible for maintaining the subject lease and subject well in compliance with all applicable Commission rules according to Statewide Rules 3 and 14(b)(2), and Chapters 89 and 91 of the Texas Natural Resources Code.
6. The documented violations committed by the Respondent constitute acts deemed serious, a hazard to the public health, and demonstrate a lack of good faith pursuant to TEX. NAT. RES. CODE ANN. §81.0531.

IT IS ORDERED THAT within 30 days from the day immediately following the date this order becomes final:

1. Integrated Oil & Gas Solutions Corp. (Op. No. 424839), shall plug and place the Lilyan Chilson (Lease No. 13459) Lease, Well Nos. 1S & 5S, Wichita County Regular Field, Wichita County, Texas in compliance with applicable Commission rules and regulations; and
2. Integrated Oil & Gas Solutions Corp. (Op. No. 424839), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **EIGHT THOUSAND FIVE HUNDRED TWENTY FOUR DOLLARS (\$8,524.00)**.

It is further **ORDERED** by the Commission that this order shall not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T CODE § 2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the parties are notified of the order.

All requested findings of fact and conclusions of law which are not expressly adopted herein are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

Noncompliance with the provisions of this order is subject to enforcement by the Attorney General and subject to civil penalties of up to \$10,000.00 per day per violation.

Done this 6th day of October 2015.

RAILROAD COMMISSION OF TEXAS

**(Signatures affixed by Default Master Order
dated October 6, 2015)**

LMV/rnf